

Illinois Health Information Exchange (ILHIE) Authority

Fiscal Policies Manual

DRAFT

April 29, 2014

Effective Date(s) of Financial Policies

The effective date of all Fiscal policies described in this manual is reflected on the cover. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

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INTRODUCTION

This manual is distributed to all ILHIE Authority personnel having fiscal or accounting responsibilities and is intended to provide an overview of the fiscal policies applicable to the Illinois Health Information Authority ("ILHIE Authority").

This manual describes the basic fiscal operations of the ILHIE Authority. Its primary purpose is to document fiscal policies and selected procedures for reference by ILHIE Authority personnel and to document internal controls.

All ILHIE Authority personnel are employees of the State of Illinois and are bound by the policies set forth in the ILHIE Authority Personnel Handbook. If there is a conflict between this manual and the ILHIE Authority Personnel Handbook, the ILHIE Authority Personnel Handbook will control. All ILHIE Authority personnel are also bound by the state's Ethics Act and other legal requirements as mandated by law.

Nothing in this manual creates an employment contract or guarantees the continued employment or duration of employment of any ILHIE Authority personnel. ILHIE Authority personnel may be terminated or may terminate their employment with ILHIE at any time, subject only to applicable requirements of law.

The ILHIE Authority Budget and Finance Committee and the ILHIE Authority Board of Directors have approved the issuance of this manual. All ILHIE Authority personnel are expected to comply with the fiscal policies and stay informed of changes in these policies. Suggestions for changes and additions to the manual can be given to the Chief Financial Officer.

GENERAL

FINANCE DEPARTMENT OVERVIEW

Personnel

The Finance Department consists of one staff member who manages and enforces fiscal policies for the ILHIE Authority that have been enacted by the Board. The positions comprising the Finance Department are as follows:

Chief Financial Officer

Other positions or functions which have supporting roles within the fiscal policies are as follows:

Executive Director
Chief Information Officer
Chief Technology Officer
Director of Implementation Services
Director of Client Relations
Business & Communications Manager
General Counsel
Project Manager
Policy, Privacy, and Compliance Officer
Policy Analyst
Private Secretary

Responsibilities

The primary responsibilities of the Finance Department consist of:

Financial Statement Preparation
External Reporting of Financial Information
General Ledger
Cash Management
Asset Management
Cash Receipts
Accounts Receivable and Billing
Accounts Payable
Voucher Disbursements
Reconciliation of Accounts Receivable and Accounts Payable Sub-Ledgers
Reconciliation of Agency Cash Fund
Budgeting
Human Resources
Procurement
Compliance with State Reporting Requirements
Financial Modeling & Forecasting
State Audit

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is a group of accounts that supports the information shown in the financial statements. The general ledger is used to accumulate all financial transactions of the ILHIE Authority, and is supported by subsidiary ledgers that provide details for certain receivable and payable accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system, and therefore the basis for the ILHIE Authority financial system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

The ILHIE Authority chart of accounts is comprised of five groups of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Income
5. Expense

There are two types of accounts: real accounts and nominal accounts. Real accounts are asset, liability, and net asset accounts and they appear on the Balance Sheet. Nominal (or temporary)

accounts are revenue and expense accounts and they appear on the Profit & Loss Statement. ILHIE Authority nominal accounts are annually closed or zeroed out but real accounts are permanent.

Each account shall have a three-digit account number.

Distribution of Chart of Accounts

All ILHIE Authority personnel involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be provided with a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to these individuals promptly.

Control of Chart of Accounts

The ILHIE Authority chart of accounts is controlled by the Chief Financial Officer and monitored by the Executive Director. Responsibilities include the handling of all account maintenance such as additions and deletions from the chart of accounts. Any additions or deletions of accounts should be approved by the Chief Financial Officer, who must ensure that the chart of accounts is consistent with the reporting requirements of the ILHIE Authority and its programs.

Account Definitions

General Ledger

Account Range

100 - 199

Category

Assets

Definition

Assets are probable future economic benefits obtained or controlled by the ILHIE Authority as a result of past transactions or events. Assets of ILHIE Authority are classified as Current Assets, Fixed Assets, and Other Assets.

Current Assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are the cash fund and accounts receivables that will be collected within one (1) year of the statement of financial position date.

Fixed assets are tangible assets with a useful life of more than one (1) year that are acquired for use in the operation of the ILHIE Authority and are not held for resale. An example is software purchased by the ILHIE Authority.

200 – 299

Liabilities

Liabilities are obligations owed for past transactions or events arising from present obligations of the ILHIE Authority that are payable in the future. Liabilities of ILHIE Authority are classified as current or long-term.

Current liabilities are obligations that will likely occur within one (1) year of the date of the financial statements or which have a due date of one (1) year or less. Common examples of current liabilities include accounts payable and accrued liabilities.

Long-Term Liabilities are obligations that will likely occur more than one (1) year from the date of the financial statements.

300 - 399

Net Assets

Net Assets are the difference between total assets and total liabilities. Net Assets of the ILHIE Authority are classified as **Unrestricted Fund Balance**: Net assets that are not subject to any specific restrictions besides fulfillment of ILHIE Authority's mission.

400 - 499

Revenues

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute ILHIE Authority ongoing operations. Revenues of the ILHIE Authority include grants, state sponsorship, and customer fees.

500 - 599

Expenses

Expenses are outflows or other utilization of assets or incurrence of liabilities from providing services, or carrying out other activities that constitute ILHIE Authority ongoing operations. Expenses of the ILHIE Authority include salaries, consultants, software fees, and on boarding expenses.

Fiscal Year of ILHIE Authority

The ILHIE Authority operates on a fiscal year that begins on July 1 and ends on June 30.

Journal Entries

All general ledgers entries include a short explanation of each such entry. Examples of such journal entries include:

1. Recording of payroll and employer contributions
2. Recording of revenues
3. Non-recurring transactions of income and expenses

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policy

The ILHIE Authority receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of the ILHIE Authority in the following manner:

1. **Client Fees** - Recognized as revenue after contract is completed and invoice is sent to the customer.
2. **Grant Revenue** - Recognized as revenue after the grant agreement is complete, terms are fulfilled, and invoice is sent to the grantee.

CASH RECEIPTS

Overview

Cash (including checks payable to the ILHIE Authority) is the most liquid asset ILHIE Authority has. It is the objective of the ILHIE Authority to establish and follow the strongest possible internal controls in this area.

Cash Receipts Processing

Mail containing checks payable to the ILHIE Authority is opened by the Chief Financial Officer and a listing of checks received is recorded in the customer and amount columns on the ILHIE Authority Client Deposit Log.

Endorsement of Checks

All checks shall immediately be restrictively endorsed with an endorsement stamp by the Chief Financial Officer.

A deposit slip is prepared for the checks received. The Chief Financial Officer makes a PDF copy of the deposit slip and checks and saves them in the Client Fee Deposit folder In the ILHIE Authority folder.

The Business & Communications Manager or other person authorized by the Chief Financial Officer deposits the checks in the Treasurer's account at the bank, returns the deposit receipt to the Chief Financial Officer, and enters the deposit information into the ILHIE Authority Client Deposit Log's deposit columns and into the customer's account in the general ledger.

The Chief Financial Officer makes a PDF copy of the deposit receipt and saves it in the Client Fee Deposit folder In the ILHIE Authority folder.

Approximately one (1) week later, the Chief Financial Officer receives a Non Negotiable Draft (Draft) from the Treasurer's Office for the previous week's deposit. After receipt of the Draft, the Chief Financial Officer prepares a Form C-64 Receipts Deposit Transmittal Report, obtains the Executive Director's signature, and mails the Draft and signed Form-64 to the Illinois Comptroller's Office.

Approximately one (1) week later, the amount identified on the Form C-64 will be added to ILHIE Authority's Cash Fund balance and a signed copy of the Form C-64 will be received from the Comptroller's Office.

Timeliness of Bank Deposits

It is the policy of the ILHIE Authority that bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$100. In no event shall deposits be made less frequently than weekly.

Reconciliation of Deposits

On a monthly basis, the Chief Financial Officer shall reconcile the Treasurer drafts to the bank deposits reflected in the Customer Fee Deposit folder. Any discrepancies shall be immediately investigated and resolved.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a monthly basis, the Chief Financial Officer reconciles the total of all customer balances to the Accounts Receivable total in the General ledger.

Write-Off Authorization Procedures

Standard payment policy is payment is due within thirty (30) calendar days after the invoice date. On at least on a monthly basis, the past due accounts receivable report is reviewed to identify delinquent balances. A second notice is sent when a customer is over thirty (30) days late and a third notice is sent when a customer is over sixty days (60) late. When a customer is over ninety days (90) late, the account is reviewed by the Chief Financial Officer and members of the executive team and a decision is made to either give the customer a final payment date or to close their account.

It is the policy of the ILHIE Authority to ensure that all available means of collecting receivables have been exhausted before write-off procedures are initiated. Write-offs are initiated by Chief Financial Officer. If an account receivable is deemed uncollectible after the customer is over ninety days (90) late, approval by the Executive Director is required before the account is closed and the customer balance is written off.

Allowance for Doubtful Accounts

Because it is possible that not every customer will honor every its obligation to the invoice from the ILHIE Authority, it is the policy of the ILHIE Authority to maintain a reserve for uncollectible receivables. This reserve represents the amount of uncollected invoices that the ILHIE Authority never expects to collect. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on the following factors:

1. An analysis of outstanding, aged accounts receivable
2. Historical collection and bad debt experience

Year-end adjustments to the reserve for uncollectible accounts shall be performed by the Chief Financial Officer.

This reserve account will be used in the following year to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described in the previous section.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

ACCOUNTS PAYABLE MANAGEMENT

Overview

The ILHIE Authority strives to maintain efficient business practices and good cost control. A well managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the ILHIE Authority that the recording of assets or expenses and the related liability is performed by the Chief Financial Officer. The amounts recorded as expenses on the Form C-13 Invoice voucher are based on the ILHIE's vendor's invoice for the related goods or services. Each vendor's invoice should be reviewed and approved by the Chief Financial Officer and Executive Director prior to being sent to the Illinois Comptroller's Office for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the accounting system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a regular basis, but no less than weekly. Information is entered into the accounting system from approved invoices with appropriate documentation attached.

It is ILHIE Authority policy that only original invoices or receipts will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor monthly statements shall be processed for payment.

All invoices are sequentially recorded in the invoice log in the ILHIE Authority invoice folder.

Accounts Payable Cut-Off

For purposes of the preparation of the ILHIE Authority monthly financial statements, all vendor invoices that are received, approved, and supported with proper documentation by the tenth day of the following month shall be recorded as accounts payable for the preceding month if the invoice pertains to goods or services delivered during the preceding month or earlier.

Receipt of Invoices

Vendors will be instructed to mail all invoices directly to the ILHIE Authority Finance Department.

Upon receipt of invoices, each invoice shall be reviewed with the appropriate manager for approval and coding of the account number and information needed to complete the Form C-13.

Processing of Invoices

The following procedures shall be applied to each invoice by the Chief Financial Officer:

1. Check the mathematical accuracy of the vendor invoice.
2. Obtain the review and approval of the Executive Director associated with the goods or services purchased.
3. Verify the general ledger distribution, using the ILHIE Authority current chart of accounts.
4. Enter the invoice into the general ledger.
5. Prepare a Form C-13, verify accuracy, obtain approval of Executive Director, store an electronically approved invoice in the Invoice folder, and mail the C-13 and vendor invoice to Voucher Control at the Illinois Comptroller's Office in Springfield.

Approvals and their general ledger account codes by ILHIE Authority managers indicate their acknowledgement of satisfactory receipt of the goods or services invoiced are in agreement with all terms appearing on the vendor invoice, and agreement to pay the vendor in full.

Accounts Payable Analysis

At the end of each monthly accounting period, the total amount due to each vendor in the general ledger account shall be reviewed for accuracy. All differences are investigated by the Chief Financial Officer and adjustments are made as necessary.

TRAVEL AND BUSINESS EXPENSES

Travel Requests

Prior to any travel, an employee must complete the ILHIE Authority Request for Travel form to justify the trip and obtain the approval of the Executive Director.

Travel Advances

The use of travel advances is not permitted.

Travel Expenses

Upon completion of the travel event:

1. The employee must promptly complete and sign form C-10 Travel Voucher with all receipts.
2. The Chief Financial Officer verifies the accuracy and completeness of the voucher and obtains the written approval of the Executive Director.
3. The Chief Financial Officer sends the approved voucher invoice to Voucher Control at the Illinois Comptroller's Office in so the reimbursement can be issued to the employee.

VOUCHER DISBURSEMENTS POLICIES

Voucher Preparation

It is ILHIE Authority policy to prepare vouchers for payment of vendor invoices and employee expense reimbursements on at least on a weekly basis. After vouchers have been prepared by the Chief Financial Officer and approved by the Executive Director, vouchers are sent to the Voucher Control section of the Illinois Comptroller's Office for payment.

All vendor and expense reimbursement vouchers shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel policies described in this manual.
2. Generally, all vendor invoices shall be sent within five (5) days of submitting an invoice or upon delivery of the requested goods or services, whichever is later.
3. Generally, all expense reports shall be submitted within five (5) days of submitting a voucher.
4. All supporting documentation is attached to the corresponding voucher prior to forwarding the entire package to Voucher Control at the Illinois Comptroller's Office.

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

The ILHIE Authority's Cash Fund account is used for routine business voucher disbursements. All cash deposits received by the ILHIE Authority's at its central office are deposited to the Illinois State Treasurer's account. On a weekly basis, the ILHIE Authority's deposits are moved the Illinois Comptroller and added to the ILHIE Authority Fund balance.

Fund Reconciliations

On a monthly basis, the Chief Financial Officer will reconcile the ILHIE Authority's Fund Balance to the cash balance in the General Ledger and review it with the Executive Director.

Petty Cash

ILHIE maintains a \$100 Authority petty cash account that can reimburse approved employee expenses up to \$49.99. A reimbursement voucher Form C-13 can be submitted to the Illinois Comptroller's Office when petty cash disbursements exceed \$50.01.

INVENTORY

Description of Inventory

The ILHIE Authority may maintain items for sale and for business use.

Accounting for Inventory

It is ILHIE Authority policy to account for inventory at cost, using the first-in, first-out method of valuation. Unit cost shall be computed by calculating the actual cost of purchased inventory by including all invoices related to the inventory items and dividing this total amount by the number of units purchased.

PREPAID EXPENSES

Accounting Treatment

It is ILHIE Authority policy to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$1,500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one (1) year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one (1) year from the financial statement date shall be classified as non-current assets.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Chief Financial Officer shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

FIXED ASSET MANAGEMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$1,500 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Contributed Assets

Assets with fair market values in excess of \$1,000 that are contributed to the ILHIE Authority shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by the Chief Financial Officer. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Chief Financial Officer.

Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month.

Estimated useful lives of capitalized assets shall be determined by the Chief Financial Officer in conjunction with the department or personnel that utilize the asset.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

Write-Offs of Fixed Assets

The Chief Financial Officer shall approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to Chief Financial Officer. If not located, this property will be written off the books with the proper notation specifying the reason.

ACCRUED LIABILITIES

Identification of Liabilities

The Chief Financial Officer shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by the ILHIE Authority at the end of an accounting period are unbilled liabilities for services provided by a vendor.

POLICIES ASSOCIATED WITH FINANCIAL REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Agency

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the ILHIE Authority. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements the ILHIE Authority shall include:

1. **Balance Sheet (Statement of Financial Position)** - reflects assets, liabilities, and net assets of the ILHIE Authority and classifies assets and liabilities as current or non-current/long-term
2. **Profit & Loss (Statement of Activities)** - presents revenues, expenses, and other changes in net assets of the ILHIE Authority.

Frequency of Preparation

An objective of the Chief Financial Officer is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policy shall apply:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis. The standard set of financial statements described in the preceding section shall be supplemented by an analysis of the month's financial highlights, including explanations for material budget variances.

Review and Distribution

All financial statements and supporting schedules shall be created by the Chief Financial Officer and reviewed by the Executive Director prior to being issued to the Chair of the ILHIE Authority Budget and Finance Committee.

After approval by the Chair of the ILHIE Authority Budget and Finance Committee, a complete set of monthly financial statements shall be distributed to ILHIE Authority's Budget and Finance Committee and the ILHIE Authority Board Chair.

Audit of Financial Statements

State of Illinois auditors will regularly review the ILHIE Authority's financial records and policies and issue a report of their findings and recommendations for improvement.

FINANCIAL MANAGERMENTS POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any agency in that it is concerned with the translation of foundational goals and objectives into financial and human resources terms. A budget should be designed and prepared to direct the most efficient and prudent use of the ILHIE Authority's financial and human resources. A budget is a management commitment of a plan for present and future foundational activities that will ensure sustainability. It provides an opportunity to examine the composition and viability of the ILHIE Authority's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the ILHIE Authority policy to prepare an annual budget on the accrual basis of accounting. To prepare the ILHIE Authority budget, the Chief Financial Officer shall gather proposed budget information from the Executive Director and others with budgetary responsibilities and prepare the first draft of the budget for review with the Executive Director.

After appropriate revisions and internal approval by the Executive Director, the Chief Financial Officer will present the budget to the Chair of the ILHIE Authority Budget and Finance Committee for discussion, revision, and initial approval.

After the approval of the Chair of the ILHIE Authority Budget and Finance Committee, the budget is then submitted to the ILHIE Authority Budget and Finance Committee for approval, and finally to the ILHIE Authority Board of Directors for consideration and approval.

It is the policy of the ILHIE Authority to adopt a final budget prior to the beginning of each fiscal year.

Monitoring Performance

It is the ILHIE Authority policy to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Chief Financial Officer, with explanations of all negative budget variances in excess of 10% and \$5,000 on a year to date basis.

Budget Modifications

After a budget has been approved and adopted by the ILHIE Authority Board of Directors, reclassifications of budgeted expense amounts that do not change the budget totals can be made by the Chief Financial Officer.

Reclassifications resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval by the ILHIE Authority Budget and Finance Committee and ILHIE Authority's Board of Directors.

CONTRACTS

ILHIE Authority Service Agreement

The ILHIE Authority may enter into Service Agreements with other state agencies for services from and for the other agencies.

Grant Agreements with the ILHIE Authority

The ILHIE Authority may be the recipient of multiple grants other federal and State agencies and corporations for programs that are defined in the grants. When the ILHIE Authority does not have the internal resources to complete the requirements for a particular grant program, the ILHIE Authority may enter into a contract with a vendor or organization to fulfill grant requirements.

FRAUD POLICY

Scope

This policy applies to any fraud or suspected fraud involving ILHIE Authority personnel, as well as vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with the ILHIE Authority. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position, title, or relationship with the ILHIE Authority.

Policy

ILHIE Authority management is responsible for the detection and prevention of fraud and other irregularities. Fraud is defined as a deliberate deception to obtain an unfair or unlawful gain. Each member of management will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity (see the Fraud Reporting Procedures section).

Fraud or other violations of State or federal law, rules, regulations, and policies that is detected or suspected must be reported immediately to the Office of Executive Inspector General (OEIG) via its toll-

free hotline at 866-814-1113. Questions or reports of alleged violations may also be submitted via the internet by obtaining forms at: <http://www.inspectorgeneral.illinois.gov>.

If an employee has reasonable cause to believe that a violation has occurred, the employee is protected by the Whistleblower Act and no retaliatory actions shall be taken against the reporting employee.

If there is a question as to whether an action constitutes fraud, contact the ILHIE Authority's Ethics Officer for guidance.

Investigation Responsibilities

OEIG has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy and to investigate any "irregularities" reported per the policy described in the last section. If an investigation substantiates that fraudulent activities have occurred, OEIG will issue reports to appropriate designated personnel.

Decisions to prosecute or refer the examination results to the appropriate law enforcement or regulatory agencies for independent investigation will be made by OEIG, as will final dispositions of the case.

Confidentiality

Alleged violations may be reported to the OEIG anonymously.

Fraud Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the OEIG.

INSURANCE

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations the ILHIE Authority.

As deemed necessary, the ILHIE Authority will obtain and maintain adequate insurance against general liability, as well as coverage for cyber security, Directors & Officers, building contents, computers, equipment, machinery and other items of value.

Coverage Guidelines

As a guideline, the ILHIE Authority will arrange for the following types and levels of insurance as a minimum:

Comprehensive Liability

Umbrella Liability Coverage

Cyber Security

Property

Employee dishonesty/bonding

Directors and Officers

Fiduciary Liability

Professional Liability

Amount of coverage will be determined by a comprehensive study of the risks involved and comparisons to coverage of other exchanges.

Records Retention Policy

The ILHIE Authority complies with federal and State record retention requirements.

Loans to Directors or Personnel

No loans may be made to members of the ILHIE Authority Board of Directors, ILHIE Authority personnel, or any other persons related to members of the ILHIE Authority Board of Directors or ILHIE Authority personnel, or any other person by or on behalf of the ILHIE Authority.

**ILLINOIS HEALTH INFORMATION EXCHANGE AUTHORITY
ACCOUNTING GLOSSARY**

Financial Reporting Definitions:

Balance Sheet (Statement of Financial Position)	Listing of the Agency's assets, liabilities, and equity as of a particular date
Assets	Amount of resources owned by the Agency
Current Assets	Cash and other assets that are likely to be converted into cash or used by the Agency within one year from the statement's date
Cash	Cash in the Agency's Fund Balance
Accounts Receivable	Amounts due from clients
Inventory	Items that will be either distributed or sold to customers
Accounts Receivable	Amounts due from clients
Prepaid Expenses	Expenses that are paid in advance and prorated on a usage basis
Liabilities	Financial obligations for goods and services provided to the Agency
Current Liabilities	Operational obligations that will be paid within one year from the statement's date
Accounts Payable	Amounts owed to outside providers of goods and services
Equity (Net Assets)	Residual balance of difference between total assets and total liabilities
Profit & Loss (Income Statement or Statement of Activities)	Summary of income and expenses of the Agency over a defined period of time
Income (Revenue)	Inflows received for delivering goods or services
Expenses	Normal operating expenses of the Agency, subdivided into meaningful accounts
Net Income	Difference between Total Income and Total Expense that represents balance of activities from the operating activities of the Agency